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PROGRESS REPORT ON THE IMPLEMENTATION OF AGREED CONCLUSIONS AND RECOMMENDATIONS OF THE COMMISSION

Prepared by the UNCTAD secretariat

Executive summary

The note on "Improving the functioning and the structure of the intergovernmental machinery of UNCTAD" (TD/B/EX(24)/L.1), re-endorsed by the Trade and Development Board at its twenty-sixth executive session on 10 April 2001, stated *inter alia*: "Starting with the second session of each Commission, the fifth day of the session will be used for policy reviews of implementation by member States and the secretariat of the outcome of previous sessions, on the basis of documentation produced by the secretariat". Accordingly, the secretariat has prepared the present report, which contains information on the implementation of decisions and agreed conclusions adopted at the fifth session of the Commission on Investment, Technology and Related Financial Issues and addressed to UNCTAD. More information on UNCTAD's activities in the area of investment, technology and enterprise development can be found in the "DITE Activities Report 2001", submitted to the sixth session of the Commission.

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1. In accordance with the recommendations of the fifth session of the Commission on Investment, Technology and Related Financial Issues, UNCTAD continued to report on and analyse trends in cross-border mergers and acquisitions (M&As) and their share in foreign direct investment (FDI) and related policy responses. This was done particularly in the framework of the *World Investment Report 2001: Promoting Linkages* (building on the *WIR 2000*, which was devoted to the issue of M&As), in which the analysis of M&A trends was an integral part of the overall monitoring of recent trends in FDI. Furthermore, on behalf of the Government of the People's Republic of China, the secretariat undertook to organize a seminar reflecting on the implications of cross-border M&As in China (December 2001). The *WIR* website, launched in October 2000 now has about 250,000 hits per month. The text of the *WIR 2000 Overview* was downloaded 115,000 times, while the text of the *WIR 2001 Overview* was downloaded more than 33,000 times just after being published.

2. The secretariat did considerable work on the subject of competitiveness of small and medium-sized enterprises (SMEs) in the face of internationalization. The *WIR 2001* looked at a particularly interesting aspect of the subject, namely the creation of linkages between SMEs in developing countries and foreign affiliates of transnational corporations (TNCs). It analysed different approaches chosen by companies as well as Governments to promote such linkages and – on the basis of this analysis – developed specific policy options and proposed an UNCTAD linkages programme. Building partially on the findings of the *WIR 2001*, the Expert Meeting on the Impact of FDI Policies on Industrialization, Local Entrepreneurship and the Development of Supply Capacity was held in Geneva from 5 to 7 November 2001. In the framework of that meeting, the experts exchanged views and made recommendations on issues related to industrialization, export competitiveness, the development of supply capacity and FDI; the role of corporate strategies and other considerations of foreign investors/the business environment; and targeting FDI in the context of development strategies.

3. In the framework of the preparation of the *WIR 2002: FDI and Exports* the secretariat is currently pursuing work on export competitiveness as another crucial aspect of the link between FDI and the competitiveness of SMEs in the face of internationalization.

4. Pursuant to the recommendations of the fifth session of the Commission, UNCTAD continued to analyse aspects of international agreements relevant to the transfer of technology. This was done particularly in the framework of the Expert Meeting on International Arrangements for Transfer of Technology: Best Practices for Access to and Measures to Encourage Transfer of Technology with a view to Capacity-Building in Developing Countries, Especially in Least Developed Countries, which was held in Geneva from 27 from 29 June 2001. The Outcome of this meeting noted that several dozen international instruments included provisions with respect to enhancing the transfer of technology to developing countries, particularly least

developed countries, as well as their technological capabilities, and provided a list of best practices that could contribute to generating favourable conditions and opportunities for transfer of technology and capacity-building. The Outcome of the meeting will be an input for policy considerations at the sixth session of the Commission on Investment, Technology and Related Financial Issues. It was also reported to the WTO Working Group on the Relationship between Trade and Investment.

5. Furthermore, the secretariat undertook considerable work on international arrangements for the transfer of technology. It issued a *Compendium on International Arrangements on Transfer of Technology*.[1] The *Compendium* contains a selection of provisions on transfer of technology drawn from international instruments. Thus, it includes relevant excerpts from international instruments at the multilateral, regional, interregional and bilateral levels. Each of these categories contains both legally binding and non-binding instruments. Drafts, non-governmental instruments and the outcome of an UNCTAD Expert Meeting are reproduced in an annex. The *Compendium* contains an overview dealing with transfer of technology that provides a synthesis of the main challenges facing developed and developing countries alike in this field. It draws on the general context of technology transfer before analysing the important question of the implementation of the international arrangements.

6. At its fifth session, the Commission approved the provisional agenda for the eighteenth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). Accordingly, the Group held its eighteenth session in Geneva from 10 to 12 September 2001. The main agenda item of the session was on accounting by SMEs. The Working Group held intensive discussions on proposals for realistic guidelines on accounting by SMEs drawn up by an ad hoc consultative group. The session agreed on the general approaches and requested the ad hoc consultative group to make further refinements to the proposals presented. The final output of the Group's work on accounting by SMEs is envisaged to provide guidance to policy makers and SMEs in developed as well as developing countries and countries with economies in transition. In fact, a number of policy makers stressed the need to finish the work without further delay because they urgently needed such guidance.

7. Moreover, and in accordance with the Bangkok Plan of Action and the decision taken at the seventeenth session of ISAR, participants also reviewed existing corporate governance practices, and country, company and regional codes and principles. At its closing plenary session, the Working Group proposed that it devote its nineteenth session to accounting by SMEs and corporate governance. Immediately after the eighteenth session – on 13 and 14 September – the secretariat held a two-day

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[1] *Compendium on International Arrangements on Transfer of Technology: Selected Instruments*. United Nations publication, Sales No. E.01.II.D.28, Geneva.

workshop on corporate governance. The issue was discussed from the perspectives of national and regional policy makers, regulators, the investing community, members of boards of directors and others. The workshop provided participants with an opportunity to exchange experiences, identify best practices and discuss ideas for further work on the issue by the Working Group of Experts.

8. During the reporting period, the secretariat actively participated in national, regional and international efforts aimed at capacity-building in the area of accounting and auditing. It continued disseminating the output of the Working Group of Experts on environmental accounting and requirements for professional qualifications by organizing and/or participating in national and regional workshops. It also made available to all interested persons, via its website, all reports and other documentation of the Working Group from the past three sessions.